

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**
FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

0 1 - 1 1

2. STATE:

MICHIGAN

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

September 14, 2001 7/1/2001

per N. Bishop
MDCH
BAH
2/14/02

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 447

7. FEDERAL BUDGET IMPACT:

a. FFY 2001 \$ 7.87 M 7,289,568

b. FFY 2002 \$ 0 555,177

per N. Bishop
BAH
2/14/02

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-B, pages 2.b.1 through 2.b.4
page 2 and 2.b.3
BAH
2/14/02

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):

Attachment 4.19-B, pages 2.b.1 and 2.b.2
page 2.
BAH 2/14/02

10. SUBJECT OF AMENDMENT:

Outpatient Hospital Adjustor Pool for ~~FFY~~ 7/1/01 - 2/14/02

BAH
2/14/02

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☐ OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

James K. Haveman, Jr.

14. TITLE:

Director

15. DATE SUBMITTED:

8-30-01

16. RETURN TO:

Michigan Department of Community Health
Office of Federal Liaison
6th Floor Lewis Cass Building
320 South Walnut Street
Lansing, Michigan 48913

ATTENTION: Nancy Bishop

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

8/31/01

18. DATE APPROVED:

3/6/02

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

7/1/01

20. SIGNATURE OF REGIONAL OFFICIAL:

Cheryl A. Harris

21. TYPED NAME:

Cheryl A. Harris

22. TITLE: Associate Regional Administrator
Division of Medicaid and Children's Health

23. REMARKS:

RECEIVED

AUG 31 2001

DMCH - MI/MN/VI

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State: MICHIGAN

**POLICY AND METHOD FOR ESTABLISHING PAYMENT RATES
(OTHER THAN INPATIENT HOSPITAL AND LONG TERM CARE FACILITIES)**

3. Outpatient Hospital Services

Reimbursement to individual hospitals, including off-campus satellite clinics, for outpatient services is made in accordance with Medicaid's maximum fee screens, the hospital's usual and customary charge, or Medicare's reasonable costs as required by 42 CFR 447.321, whichever is less. Outpatient hospital off-campus satellite clinics located in health manpower shortage areas as designated under Section 332 of the Public Health Services Act 42 CFR U.S.C. 254c, shall be exempt from Medicaid's maximum fee screens.

Non-enrolled hospitals located outside the State of Michigan are reimbursed based on established fee screens for covered services. For services reimbursed using a percentage of charge, non-enrolled hospitals located outside the State of Michigan are reimbursed the statewide average cost to charge ratio for enrolled Michigan hospitals.

[Section on pool payment of \$260 million between October 7, 1997 and September 30, 1998 is deleted.]

TN No. TN 01-11

Approval _____

Effective Date 7/1/01

Supersedes

TN No. TN 98-08

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACTState: **MICHIGAN****POLICY AND METHOD FOR ESTABLISHING PAYMENT RATES
(OTHER THAN INPATIENT HOSPITAL AND LONG TERM CARE FACILITIES)****C. Special Outpatient Adjustor Pool**

\$14,000,000 will be distributed to eligible Michigan hospitals in the form of an outpatient hospital adjustor for the period July 1, 2001 through February 14, 2002. The funds will be distributed in two pools. The first pool, in the amount of \$4.7 million will be distributed to hospitals based on each hospital's Title XIX fee-for-service outpatient hospital charges. The second pool, in the amount of \$9.3 million, will be distributed to hospitals based on each hospital's Title XIX HMO outpatient hospital charges. To receive funds from either of the pools, a hospital must be open and operating on the date the payment is made. Outpatient hospital data used to calculate the distributions will be drawn from hospital cost reports ending in state fiscal year 1998/99 (between October 1, 1998 and September 30, 1999). Outpatient hospital charges will be limited to those charges eligible for reimbursement under Title XIX. Allowable charges will also include Title XIX psychiatric charges. Charges will be converted to costs using each hospital's outpatient hospital cost to charge ratio. If a hospital's cost to charge ratio is greater than one, then one will be used. Costs will be inflated to a common point in time. Inflation factors will be taken from *Standard and Poor's DRI - Health Care Cost Review - First Quarter 2000*. Hospitals with year ends during a quarter will be inflated using the inflation factor for the quarter in which the hospital's year ends. A hospital's distribution from a pool will be determined by dividing its adjusted costs by the adjusted costs for all eligible hospitals times the available funds in the pool.

Hospitals that filed more than a single cost report during the eligibility period for these pools will have their cost report data combined and annualized to allow for only twelve months of combined cost data. Hospitals that merged during the eligibility period will have their distribution payments combined. Payments will be made to the surviving hospital.

Charge data taken from hospital cost reports is subject to review and appeal at the time the cost report is filed. The hospital's outpatient hospital cost to charge ratio is subject to review at rebasing. No further appeal of either the charge data or the outpatient hospital cost to charge ratio, as part of the distribution of funds from these pools, will be allowed.

Aggregate Medicaid reimbursement to Michigan outpatient hospitals (including the special indigent pools) will not be allowed to exceed the federally mandated upper payment limit for outpatient services provided to Michigan beneficiaries. To account for varying hospital year end dates, the test will be made based on data taken from hospital fiscal years ending during the same state fiscal year used to do the distribution (e.g. the test for 2000 will use hospital cost report years ending between October 1, 1998 and September 30, 1999). If the test against the upper payment limit finds that the upper payment limit was exceeded, the size of these pools will be reduced proportionately by the amount in excess of the limit.

Inflation factors used to inflate costs to September 30, 2000 are as follows:

<u>Fiscal Year Ending</u>	<u>Inflation Factor</u>
12/31/98	1.083
3/31/99	1.077
6/30/99	1.070

TN No. TN 01-011

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STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State: MICHIGAN

POLICY AND METHOD FOR ESTABLISHING PAYMENT RATES
(OTHER THAN INPATIENT HOSPITAL AND LONG TERM CARE FACILITIES)

9/30/99

1.064

Fee-For-Service Pool

Distributions from the fee-for-service outpatient hospital adjustor pool will be calculated as follows:

Charges are limited to outpatient hospital charges for provider types 40, 41, and 75.

Hospital Charges = Title XIX FFS outpatient hospital charges

Hospital Costs = Hospital Charges x CC Ratio x Inflation Factor

$$\text{Hospital's Distribution} = \frac{\text{Hospital's Costs}}{\Sigma \text{Hospital's Costs}} \times \$4,700,000$$

Title XIX = Medicaid fee-for-service charges

CC Ratio = Hospital's outpatient cost- to- charge ratio

Managed Care Pool

To receive funds from the managed care outpatient hospital adjustor pool, a hospital must meet by September 14, 2001, the following criteria:

- If no Medicaid HMO has been authorized by Medicaid to enroll beneficiaries in the county in which the hospital is located, or in a hospital's service area within the county, the hospital will be allowed to participate in the distribution of funds from this pool.
- If only a single Medicaid HMO has been authorized by Medicaid to enroll beneficiaries in the county in which the hospital is located, then the hospital must have a signed agreement with that HMO.
- If two or more Medicaid HMOs have been authorized by Medicaid to enroll beneficiaries in the county in which the hospital is located, then the hospital must have a signed agreement with at least two of these HMOs.

At a minimum, agreements must provide for appropriately authorized, medically necessary inpatient hospital, outpatient hospital, emergency and clinical care arranged by a physician with admitting privileges to the facility and credentialed by the HMO.

Distributions from the managed care outpatient hospital adjustor pool will be calculated as follows:

Charges are limited to outpatient hospital charges for provider types 40, 41, and 75.

Hospital Charges = Title XIX HMO outpatient hospital charges

Hospital Costs = Hospital Charges x CC Ratio x Inflation Factor

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(OTHER THAN INPATIENT HOSPITAL AND LONG TERM CARE FACILITIES)**

$$\text{Hospital's Distribution} = \frac{\text{Hospital's Costs}}{\Sigma \text{Hospital's Costs}} \times \$9,300,000$$

Title XIX = Medicaid

CC Ratio = Hospital's outpatient cost- to- charge ratio

Should a hospital fail to qualify for a distribution from either pool, its share will not be redistributed.

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